

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED
9-20-17
04:59 PM

Order Instituting Rulemaking to Identify Disadvantaged Communities in the San Joaquin Valley and Analyze Economically Feasible Options to Increase Access to Affordable Energy in those Disadvantaged Communities.

Rulemaking 15-03-010
(Filed March 26, 2015)

**CASE MANAGEMENT STATEMENT OF
THE OFFICE OF RATEPAYER ADVOCATES**

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September 20, 2017

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I. INTRODUCTION

Pursuant to the August 15, 2017 Administrative Law Judge's Ruling Setting Second Prehearing Conference and Requiring Additional Information from the Parties (Ruling) the Office of Ratepayer Advocates (ORA) files this Case Management Statement.

In the discussion below, ORA makes the following general recommendations:

- The pilot projects' primary purpose should be to gather data regarding the cost-effectiveness of various options for providing access to safe and affordable energy to disadvantaged communities in the San Joaquin Valley. Cost effectiveness is determined by comparing benefits (such as bill savings) to participating customers and the cost to the participating customers and ratepayers.
- Pilot projects should be designed to be replicable in a great number of disadvantaged communities.
- At least one pilot project should include fuel switching to an all-electric service model for communities lacking natural gas access.
- A single entity should be responsible for compiling and gathering standardized and reliable data regarding the

identified 170 disadvantaged communities in the San Joaquin Valley.

- This proceeding should be categorized as ratemaking in order to facilitate funding of the pilot projects and data gathering.

II. DISCUSSION

Phase II: Track 1 – Pilot Projects

1.a. What types of pilot projects should be considered? Discuss how the scoping memo should address factors to be considered for approval of pilot projects, and why? Discuss factors such as: suite of technologies, financing, rates, and other interventions for each pilot in as much detail as possible.

Pursuant to Assembly Bill (AB) 2672 (Perea, 2016), the Commission should analyze the overall effectiveness including economic feasibility and cost-effectiveness of various options that would increase access to affordable energy in disadvantaged communities (“DACs”) in the San Joaquin Valley.¹ The pilot projects are an important part of the Commission’s analysis, providing an opportunity to explore and gather data regarding the feasibility and cost-effectiveness of various approaches to increasing access to affordable energy in DACs.

The pilot projects should provide experience and data regarding the cost-effectiveness of the various options being considered in this proceeding. Cost effectiveness should include the benefits and costs to participating customers and the cost to the ratepayers who will fund the projects through their rates. The results of the pilots should inform the Commission as it considers the appropriate options for the approximately 170 DACs previously identified in this proceeding.

At least one of the options considered should include fuel switching to an all-electric model. For many of the DACs, natural gas service will not be feasible as an option and, therefore, all-electric service may be appropriate for these communities. The

¹ See Cal. Pub. Util. Code § 783.5(b).

pilot projects represent an important opportunity to gauge the impact of an all-electric model of service on DACs that lack access to natural gas.

In some cases, pilot projects will not be necessary because modeling or calculations based on existing data may produce the information necessary to inform the Commission's decisions. For example, estimating the total costs associated with serving a DAC with natural gas involves relatively straightforward calculations based on existing information such as the cost of natural gas line extensions.

b. In how many of the 170 disadvantaged communities (DAC) identified in the Phase I decision might each pilot be replicable? Discuss considerations for choosing proposed pilot locations, including whether location is essential to the pilot design, and describe why that location is essential.

The Commission should seek pilot projects that are replicable in as many of the 170 DACs as possible. At this point in the proceeding, the Commission and parties lack critical information, such as the demographic and household characteristics including the type of appliances/infrastructure installed in households and customer preferences for any replacements. Without this critical information, it is not possible at this time to assess the replicability of proposed pilot projects.

In the absence of data that is needed for a full assessment of replicability, the pilots should target some broad demographic and household characteristics that may be relevant to the success and failure of the pilot programs due to the varied characteristics of the 170 DACs. These characteristics should include:

- 1) geographic location;
- 2) population density;
- 3) housing type (single family, multi-family, mobile home);
- 4) percentage of renters and owners;
- 5) fuel type for space and water heating (all-electric, propane, etc.); and
- 6) demographic characteristics including household income using census data and other existing information.

c. *Should the DACs proposed by the Pilot Team be prioritized for pilot project consideration? Why or why not? What if any other DACs should be considered?*

Please see response to Question 1.d below.

d. *What factors or criteria are important for selecting pilot projects (both the DAC and the type of project)? Rank the criteria from most important (1) to least. Parties may also provide a recommendation regarding weighting of each criterion.*

ORA ranks criteria for selecting pilot projects as follows:

- 1) Data Gathering
- 2) Replicability
- 3) Cost Effectiveness

The Commission should select pilot projects that will be most effective in gathering information that will be useful in developing full-scale programs. The generation of data that can inform future program implementation should be the most important criteria for selecting project types and the community hosting each project.

Replicability of the pilot projects is a related criterion and next in importance. In order for the data generated from the pilot project to be useful for future program implementation, the project must be replicable in a large number of the 170 DACs. A pilot project that can be implemented successfully in a large number of DACs will provide more useful information to the Commission than projects that cannot be replicated.

The cost effectiveness of the options is next in importance in selecting the type of pilot project. Assessment of the cost-effectiveness of mitigation measures is one of the requirements of AB 2672. Cost effectiveness should include cost effectiveness in terms of the benefits and costs to participating customers, as well as cost to ratepayers. The parties designing pilot projects should seek to design projects that are cost effective.

e. *In order to apply the criteria proposed in your case management statement, will additional data need to be collected? If so who will collect this data?*

The developers of the pilot projects should collect data prior to the development of the pilot project, both to facilitate replicability and to measure the cost-effectiveness of

the options as discussed above, especially as they relate to addressing the energy burden of customers within DACs. The type of data that should be collected includes:

- 1) total number of households within the DAC;
- 2) total number of vulnerable customer population, including customers eligible for rate assistance through California Alternate Rates for Energy (CARE) or Family Electric Rate Assistance (FERA), and medical baseline customers;
- 3) geographic location;
- 4) population density;
- 5) housing type (single family, multi-family, mobile home);
- 6) percentage of renters and owners;
- 7) fuel type for both space and heating (all-electric, propane, etc.);
- 8) customer's primary language for purposes of marketing and implementation; and
- 9) total annual energy costs (broken out by fuel type).

The investor-owned utilities ("IOUs") should coordinate with the Pilot Team and various community groups that work directly with the DACs.

Parties already have collected some of the above information regarding some DACs. The intervenors that have begun the work in selecting DACs for the pilots ("the Pilot Team") developed a matrix to assist in selecting pilot communities.² The Pilot Team's matrix includes some of the above information, as well as additional information that will aid in choosing DACs for pilot projects and facilitating replicability.

The report distributed by Southern California Edison Company (SCE), *Community Energy Options Assessments: Background Information*, attached to the August 15, 2017 Ruling, also contained some of the above information, including data points not found in the spreadsheet from the Pilot Team. The IOUs serving the DACs have access to some of the information suggested above, including the total number of households, the

² This spreadsheet was distributed to parties at the June 26, 2017 workshop.

number of CARE/FERA and eligible households, the number of customers with medical baseline, the housing type and other information. These reports had been prepared by the SCE for the DACs participating in the Community Assessment Workshops.

The Commission should add population density to the criteria considered for pilot projects, which is not found in either the Pilot Team's matrix or in SCE's reports. Population density is an especially important data point for facilitating replicability. For example, projects that are cost effective and feasible for a relatively compact DAC could be much more expensive for DACs with longer distances between households.

f. For extension of natural gas pipelines which DACs would allow for the most economically feasible or cost effective pilot projects?

At this time, ORA does not have any data or information responsive to this question. However, the costs of natural gas extensions are more readily calculated by using existing information. Thus, the feasibility and cost effectiveness of natural gas extensions should be calculated and modeled, rather than determined through the implementation of a physical pilot project.

g. How should pilot project funding mechanisms, considering both existing programs and potential for new programs be addressed in the scoping memo? How much funding is needed? What existing Commission programs could provide funding assistance for pilot projects? Specifically comment on considerations for funds that may be available through the utilities California Alternative Rates for Energy (CARE)/Energy Savings Assistance (ESA) allocations for appliance replacement, and whether programs such as Virtual Net Energy Metering (VNEM) offer potential opportunities for Pilot Projects to be implemented.

In regards to funding and costs, ORA recommends that each pilot project should have a reasonable budget cap, based on the targeted number of participants.

ORA is not aware of any CARE/ESA funding that is available for appliance replacement that is currently unencumbered and available for reallocation to pilot projects.

The VNEM tariff may serve as a vehicle for implementing some projects. Pursuant to VNEM program requirements, funds will only be available once a VNEM project is completed and producing electricity. However, resources from the VNEM tariff will not be available to fund the construction of the pilot projects. Thus, there must still be a funding source identified for the initial financing of the pilot projects.

Phase II of the proceeding should be categorized as ratemaking in order to authorize the collection and expenditure of funds. The funds necessary to pay for the design and initial implementation of the pilot projects should be authorized by the Commission through an interim decision in this proceeding.

h. What if any new programs should be developed to implement pilot projects that would allow for affordable energy to be brought to DACs in the San Joaquin Valley?

i. Provide any additional comments regarding location and type of pilot project not already included elsewhere in your responses.

At this time, ORA does not have data or information responsive to these questions.

2. How should the scoping memo address evaluation of pilot projects, once they are implemented?

a. What should the evaluation criteria, methods, and funding mechanisms be?

b. How should that evaluation feed into longer-term programs to be considered in this proceeding?

The pilot projects should be evaluated primarily based on cost-effectiveness. The primary cost-effectiveness criterion should be a comparison of a participating customer's bill savings (over the lifetime of the piloted approach) and the cost to the participating customers and to the ratepayers who will fund the projects.

If the Commission considers non-energy benefits of the projects in its evaluation, ORA recommends using the Energy Savings Assistance Cost-Effectiveness Test

(ESACET) model in the Energy Savings Assistance program as an appropriate method for including the improved health and safety associated with a household's upgrades.³

The pilot programs (and any eventual program) should be funded through non-bypassable distribution rates, similar to how energy efficiency and ESA program costs are recovered.

The Commission should examine the benefits derived from the various pilots to determine which pilots should be converted into ongoing programs. Ultimately, these full-scale programs should be included in relevant proceedings going forward (for example, potential programs that utilize VNEM approaches should be in the VNEM docket, approaches involving energy efficiency should be in the energy efficiency or ESA dockets, etc.).

3 *On July 31, 2017, Southern California Edison distributed to the service list a report entitled Community Energy Options Assessments: Background Information. That report is attached herein (see Attachment A). Please comment and provide feedback on the report.*

Please see the response to Question 1.e above.

Phase II: Track 2 – Data Gathering and Assessment

1.a. *As noted by some of the parties the issuance of a request for proposal and selection of a contracted consultant would take significantly longer than proposed by ORA. Additionally, a consultant retained by the Commission may not be the most efficient use of resources to collect data, as the Utilities may already have some of the data needed and be in the best position to gather additional data. Are the Utilities in coordination with other parties working in the DACs in the best position to gather and compile data?*

The Commission should direct the IOUs to retain a consultant in lieu of the Commission retaining one. Pacific Gas and Electric Company ("PG&E") is the only IOU providing both electric and gas service within the San Joaquin Valley, and as such,

³ D.14-08-030 at p. 66.

may be the best suited to act as the lead utility in retaining a consultant and managing the contract.

A single entity under contract to an IOU would be the best means of ensuring that the methods for data gathering are consistently applied, and that the data gathered is maintained and reported on in a consistent manner. The Commission should receive reliable data based on standardized data collection practices on factors such as DAC community members' energy costs and the population density of DACs, in order to make reasoned decisions in program design. If this data is not standardized and comparable, it will not be useful. Moreover, if data is not maintained and reported in a standardize manner, there may be competing or contradictory information.

b. Each Utility is to provide a timeframe within which it would be able to prepare and submit a study proposal to the parties for comment. The proposals would include identification of existing data and mechanism for collaborating with entities that could assist with data collection, such as other parties and external consultants. The proposals would address funding and consultant contracting mechanisms if needed for collecting and compiling data.

ORA supports having an IOU retain a consultant to lead the design and implementation of the pilot projects. See response to question 1.a above.

c. Sierra Club and TURN recommended narrowing the scope of ORA's proposal and that items removed from ORA's proposed data collection scope would be better addressed through party comments or input. Do the parties agree with this recommendation? Why or why not? Provide a list of the issues or items that should be part of the data collection, and issues or items that would be best addressed through Party comment.

As described in ORA's June 30, 2017 "Response to ALJ Ruling for a Proposed Data Gather Framework and Timeline", a consultant study is necessary to examine:

- The energy burden (from all fuel sources) of San Joaquin Valley's DAC community members;

- The efficacy of alternatives (e.g., additional electricity subsidy, energy efficiency, solar installations) of increasing access to affordable energy for DACs;
- Additional benefits that could result from various alternatives, including improvements to the health, safety, and air quality of the DACs;
- Infrastructure and participation barriers and opportunities associated with the potential of converting households from non-electric heating appliances (such as propane or wood) to all-electric;

See ORA's response to Question 1.e for information that should be collected to design and implement the pilots. In addition, a single IOU should manage a consultant that designs and implements pilot programs to ensure that critical insights and data are gathered and analyzed in order to identify the best options for providing DACs with affordable energy.

Information collected from fieldwork is necessary to understand the conditions and needs of San Joaquin households. Once this information is collected and analyzed, workshops and parties' comments will be useful for discussing policy and program options that can be effectively targeted to San Joaquin Valley DACs.

d. Provide comments on the Sierra Club's recommendation for survey data points and the edited attached table (see Attachment B). Please provide responses as to the following:

- i. Do parties recommend any additions or deletions to the items listed in the table?*
- ii. Additional ideas on how to collect data?*
- iii. Have any of the listed data items already been collected and/or assessed? If so please provide additional information on how to access the data.*
- iv. Utilities to provide information on whether utility records contain data and/or whether data could be obtained or created from existing information or utility resources. If data could be obtained or created from existing information or resources, the utilities should*

briefly state how difficult it would be to do so, and how reliable the information would likely be.

Sierra Club's proposed data collection methods document could be used as a roadmap for a consultant's data gathering strategy.

e. What information is already available regarding participation barriers to existing programs that serve DACs without gas in the San Joaquin Valley (e.g., information in the California Energy Commission Barriers report, other Commission proceedings, 2016 Low Income Needs Assessment (LINA Study), CalEnviroScreen, and research or reports by universities or other entities)?

To the extent possible, the Commission should utilize existing reports and datasets that provide insights into the San Joaquin Valley DACs. However, because this proceeding is evaluating a new policy objective that has not been previously studied, there may be limitations to using existing information that has not been gathered with the specific intent of identifying how to provide access to affordable energy to San Joaquin DACs. For example, the California Energy Commission Barriers report generally discussed barriers preventing low income customers from accessing renewable energy and energy efficiency resources.⁴ This information may be useful in this proceeding, especially regarding potential projects involving renewable energy and energy efficiency. But, the "Barriers Report" does not evaluate if a customer has natural gas service from an investor owned utility, nor what potential barriers may exist for a customer to fuel switch from propane to all-electric service.

f. How should the scoping memo address funding mechanisms, considering both existing programs and potential for new programs to be developed out of this rulemaking? For example: what funding sources are available for data collection and assessment? What existing Commission programs or funding sources should be considered in examining project economic feasibility? What if any new programs should be developed to implement projects that would allow for affordable energy to be brought

⁴ California Energy Commission, *Low-Income Barriers Study, Part A: Overcoming Barriers to Energy Efficiency and Renewables for Low-Income Customers and Small Business Contracting Opportunities in Disadvantaged Communities*, December 2016.

to DACs in the San Joaquin Valley? Specifically include discussion of programs such as VNEM, and CARE/ESA, in discussion of existing program offerings that could provide funding to projects proposed in this proceeding.

ORA is not aware of any existing funds available for the data collection and assessment needed in this proceeding. The Commission should authorize funds to pay for these activities through an interim decision in this proceeding. Thus, Phase II of the proceeding should be categorized as ratemaking.

Phase II: Track 2 – General Questions

1.a Categorization as ratesetting or quasi-legislative for Phase II: Track 1 and Phase II: Track 2?

As discussed above, the Commission should authorize funds to pay for both the pilot projects and the data gathering needed in this proceeding. Therefore, Phase II of the proceeding should be categorized as ratesetting for both Track 1 and Track 2.

b. Should there be more public participation hearings and workshops in the proceeding to ensure a complete record as to the positions of the parties, the communities impacted by the proceeding, and ratepayers generally? Parties are to provide comments on the following:

- i. The number and location of public participation hearings;*
- ii. The number and location of additional community, Pilot Team, or other workshops; and*
- iii. What are the best mechanisms to ensure that DAC perspectives and circumstances are included as part of the record in the proceeding?*

The Commission should facilitate obtaining information and insights from DACs for the purposes of receiving community input throughout the various stages of the pilot projects, including their design, implementation, and conclusion. The Commission also should ensure that the entity developing and implementing the pilot projects works actively with the DACs proposed to host the projects to ensure that community members are informed of the projects' progress. At the completion of the pilot projects, there should be workshops for the DACs held for the purposes of informing them of the data

gathered and conclusions drawn from the pilot programs, and for obtaining further community input.

After the activities discussed above have been completed, ORA recommends the Commission conduct public participation hearings and/or workshops in San Joaquin Valley. The community input provided at these hearings/workshops should be used to inform the Commission's decision making in this proceeding.

In future public participation hearings/workshops, the Commission should present community members with a summary of the data gathered to date along with an overview of pilot projects completed. This approach will allow community members to make informed comments regarding their preferences.

Informing the communities and soliciting community input through public participation hearings or workshops will provide important information for the Commission to consider in making findings and decisions.

Three or more public participation hearings or workshops may be necessary to give San Joaquin Valley residents a reasonable opportunity to participate.

2. *What criteria and process should be used to add or remove DACs from the list to be considered, or modify their listed characteristics?*

A process to add or remove communities from the list of eligible DACs is an important topic that should be formally considered in Phase II of the proceeding. The Commission should seek formal comments regarding this issue to develop a record on the mechanism for adding or removing specific communities (including what should trigger an update) and what impacts removal may have on communities.

a. *Should the natural gas service level listed for Coalinga be revised, because it is served by a publicly owned natural gas utility?*

The preamble of AB 2672 includes a legislative finding that: "Many low-income communities throughout California's San Joaquin Valley lack access to natural gas lines."⁵ Other language in the statute makes clear that the central concern that the

⁵ See AB 2672, Section 1(a), Stats 2014, Ch. 616, Sec. 2. See also AB 2672, Section 3.

Commission must address is the burden experienced by DACs due to a lack of access to natural gas.⁶ For example, one of the options that the Commission must consider for a DAC is the extension of natural gas lines.⁷ Communities served by natural gas from a publicly owned utility do not lack access to natural gas and are not the focus of the statute or this proceeding. Thus, Coalinga's status should be revised.

b. Should the proceeding include DACs that are at least 25% CARE-eligible, but not necessarily 25% CARE-enrolled?

Yes. The proceeding should include DACs that are at least 25% CARE eligible within the list of eligible communities.

c. Should the proceeding include DACs that are served by a publicly-owned electric utility but are within the service territory of an investor-owned natural gas utility?

Yes. If the DAC is located within the jurisdiction of an investor owned natural gas utility, it should be part of this proceeding regardless of whether or not an IOU is providing electric service to that DAC. However, if the customers are served by publicly-owned electric utilities, the Commission does not have the jurisdiction to direct that electric service-related interventions be offered to these DACs. Thus, these customers would only be eligible for gas-related intervention programs. In developing programs in these areas, the Commission should work with stakeholders and seek to develop partnerships with the publicly-owned electric utility.

3. How should those DACs identified in the Phase I decision that are already fully served by natural gas be addressed this proceeding? Should they be eligible for all program offerings, only some, or none? Should they receive a lower priority in program participation, to the extent applicable?

AB 2672 and this proceeding are directed to address DACs that lack access to natural gas lines. (See response to Question 2.a). Therefore, communities fully served by

⁶ See Cal. Pub. Util. Code § 783.5(a)(1)(C).

⁷ See Cal. Pub. Util. Code § 783.5(b)(2)(A).

natural gas should not be a focus of this proceeding. General issues of energy affordability and energy efficiency are better addressed by the existing CARE and ESA programs.

4. *Recommended proposed schedule for Phase II, including dates for completion of discovery/information gathering, service and filing of comments, additional prehearing conferences/status conferences, public participation hearings, community workshops, technical workshops, and evidentiary hearings;*

As discussed above, the Commission should issue an interim decision ordering the implementation of pilot projects and data gathering – and authorizing funding for these – to move forward with Phase 2 of the proceeding.

Once the pilot projects and the data gathering are complete, a schedule for the rest of the proceeding and the final decision may be developed.

ORA proposes the following schedule for the data gathering phase:

EVENT	ORA’S PROPOSED DATE
Scoping Memo Issued	October 2017
Workshop(s) Regarding Pilot Project Design	October 2017
Workshop(s) Regarding Data Gathering	October 2017
Comments on Pilot Projects and Data Gathering	November 13, 2017
Reply Comments on Pilot Projects and Data Gathering	November 21, 2017
Proposed Interim Decision Authorizing Pilot Projects and Data Gathering	December 2017
Final Interim Decision Authorizing Pilot Projects and Data Gathering	January 2018
Comments Regarding Process to Add and Remove DACs, and Other Phase II Issues	Early 2018

III. CONCLUSION

ORA respectfully requests that the Commission consider the points made in this Case Management Statement.

Respectfully submitted,

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